

U.S. PATENT APPLICATION NO. 10/664,891

Attorney Docket No. 1061/6

**REMARKS**

This communication responds to the Office Action mailed May 2, 2007, the period in which to respond having been extended to November 2, 2007. Claims 1-54 were originally filed. Claims 8-27 and 35-54 have been withdrawn in response to a restriction requirement without prejudice to or disclaimer of the subject matter contained therein. Therefore, claims 1-7 and 28-34 remain pending.

**CLAIMS 1-2 AND 7 ARE PATENTABLE OVER SANDERS**

The Examiner rejected claims 1-2 and 7 under 35 U.S.C. § 102(e) as being anticipated by U.S. Patent Application Publication No. 2001/0042036 by Sanders [hereinafter "Sanders"]. Essentially, the Examiner contends that Sanders discloses all of the elements of the claims at issue. The Applicant respectfully disagrees with the Examiner's characterization of this reference vis-à-vis the claims at issue.

Sanders fails to disclose using a purchase on margin to modify the riskiness characteristic of a portfolio of assets, rights or liabilities. None of the citations to Sanders provided in the office action include this teaching absent in Sanders. In fact, nowhere else in Sanders can this missing teaching be found. Sanders simply discloses a security that contains leverage in it in terms of how it pays out. It is in essence a security with an embedded option in it – you pay for the option and the underlying strike price upfront (e.g., \$100 in the example in Sanders), you then receive a contracted for return if the underlying goes up (like a call option) and lose some or all of your premium payment and the strike price you already paid for if the security goes down. Sanders is wholly unrelated to the claimed invention, which includes using a purchase on margin to match a riskiness characteristic of a portfolio of assets, rights or liabilities selected by a user.

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For example, the Examiner cites FIG 1, from "at least 'select items' through at least 'best price offer' in at least CybicBulls/Bears embodiment, which is reproduced below for ease of the reader:

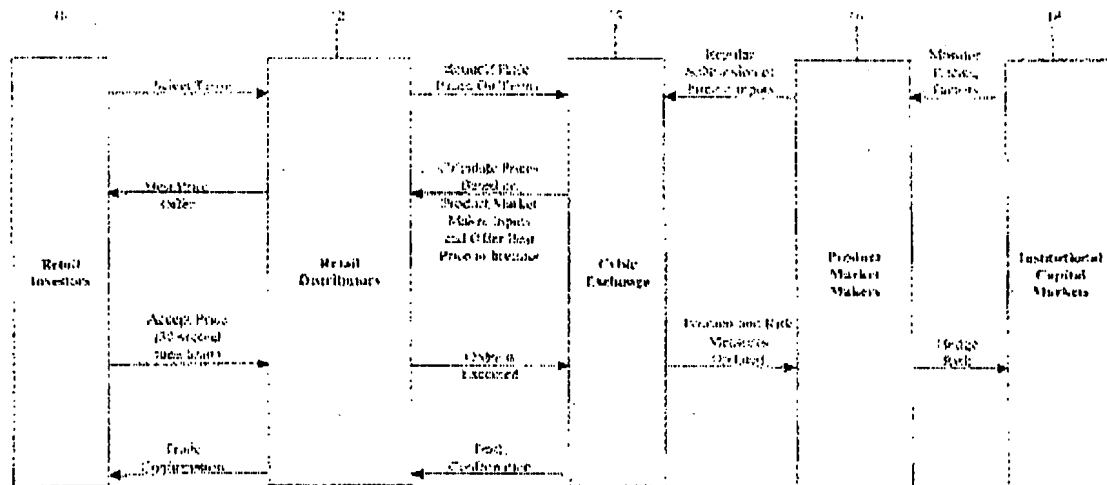


FIG. 1

The Examiner further cites other portions of FIG 1 and paragraphs 53-55, which are reproduced below as well.

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[0053] The CybicBull/Bear 24 product for an embodiment of the present invention allows the Retail Investor 10 to increase the potential gain or loss of an investment by a multiple of the Retail Investor's choosing. The Retail Investor

10 chooses an underlying equity or index, the number of investment units (e.g., \$100 each), a maturity, and a leverage factor (Return Multiplier). The Retail Investor 10 is then quoted a Return Cap, which represents the maximum potential investor gain. For a CybicBull 24, at maturity the Retail Investor 10 is paid the initial investment compounded by the percent increase or decrease on the underlying equity or index (from the time of purchase) times the Return Multiplier. The Retail Investor 10 can lose no more than the initial investment, and may Early Redeem the CybicBull 24 at any time for an interim price competitively quoted by the Product Market Makers 16. CybicBears 24 work in the opposite direction of CybicBulls 24, leveraging positive returns when the market is declining and leveraging losses when the market is going up.

[0054] As an example of a CybicBull 24, assume that on Feb. 14, 2000, the Retail Investor 10 purchases a single unit (\$100) of a six-month IBM CybicBull 24 and chooses a Return Multiplier of ten. The Return Cap is quoted at eighty percent, and IBM is selling for \$120 per share at the time of purchase. If IBM closes at \$126 (a five percent increase) on Aug. 14, 2000, the Retail Investor 10 receives a return of ten (Return Multiplier) times five percent (increase in underlying price) or a fifty percent return on the initial investment of \$100, for a total of \$150. If IBM closes at \$144 (a twenty percent increase) on Aug. 14, 2000, the preliminary return calculation produces ten (Return Multiplier) times twenty percent (increase in underlying price) or a two hundred percent return on the initial investment. This is greater than the Return Cap of eighty percent, and therefore the Retail Investor 10 is paid the eighty percent Return Cap on the initial investment of \$100, for a total of \$180. If IBM closes at \$120 on Aug. 14, 2000, the Retail Investor 10 receives the initial investment of \$100.

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[0055] In the foregoing CybieBull 24 example, if IBM closes at \$114 (a five percent decrease) on Aug. 14, 2000, the Retail Investor 10 loses ten (Return Multiplier) times 5 percent (decrease in underlying price) or fifty percent from the initial investment of \$100, for a total return of \$50. If IBM closes at \$96 (a twenty percent decrease) on Aug. 14, 2000, the preliminary return calculation produces ten (Return Multiplier) times twenty percent (decrease in underlying price) or 200 percent. However, the Retail Investor 10 can never lose more than the initial so only \$100 is lost. FIG. 5 is a table which shows an example of a comparison of benefits of CybieBulls/Bears 24 for an embodiment of the present invention to standard put and call options.

In all of the citations provided by the Examiner, the Applicant is unable to find the concept of determining an amount of a desired portfolio (not an individual security) that must be purchased on margin to match a user specified riskiness characteristic, as recited in all of the independent claims. Sanders fails to disclose even doing so for an individual security, as Sanders does not disclose margin purchases that are used to modify the riskiness characteristic of an asset to match a user specified riskiness characteristic. Simply put, Sanders does not disclose margin purchases at all.

More specifically, claim 1 recites *"determining an amount of a desired portfolio of assets/rights/liabilities that must be purchased on margin so that a riskiness characteristic of a resulting portfolio matches a user specified riskiness characteristic"*, which is not found in Sanders. In contrast to the present invention, Sanders employs a method in which one can purchase units of an investment contract (*i.e.*, a single asset, right or liability, but not an entire portfolio of such assets, rights or liabilities) that has certain leverage, but can never lose more than his initial investment. See paragraph 55, lines 9-10 (highlighted above). If the investor can never lose more than his initial investment, the purchase is not being accomplished using margin. A margin purchase is a purchase based on a loan to the investor from the brokerage. By doing so, the investor can purchase more stock than possible with his own funds. However, if the stock price drops, the investor is subject to a

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margin call, and must place additional funds in the account to repay the "loan." In this manner, the investor can lose more than his initial investment. Therefore, Sanders fails to teach "*determining an amount of a desired portfolio of assets/rights/liabilities that must be purchased on margin so that a riskiness characteristic of a resulting portfolio matches a user specified riskiness characteristic.*"

In fact, Sanders teaches away from this by providing a method in which one can never lose more than his initial investment. By providing a method in which one can never lose more than his initial investment, but gain leverage similar to leverage gained from margin investing, Sanders teaches that margin investing is less desirable and thus teaches away from doing so. Therefore, Sanders fails to anticipate or render obvious the claims at issue. The Applicant therefore respectfully requests reconsideration and withdrawal of the rejection of claims 1-2 and 7.

**CLAIMS 3 AND 6**

**ARE PATENTABLE OVER SANDERS AND HORNER ET AL.**

The Examiner rejected claims 3 and 6 under 35 U.S.C. § 103(a) as being unpatentable over Sanders in view of U.S. Patent Application Publication No. 2003/0009409 by Horner et al. [hereinafter "Horner et al."]. The Examiner contends that Sanders fails to disclose interacting with a graphical user interface, but cites Horner et al. for this teaching. The Applicant agrees with the Examiner that Sanders fails to disclose this teaching, but disagrees that Sanders discloses the remaining elements of the claims at issue.

As discussed above, Sanders fails to teach "*determining an amount of a desired portfolio of assets/rights/liabilities that must be purchased on margin so that a riskiness characteristic of a resulting portfolio matches a user specified riskiness characteristic*" as recited in independent claim

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1. An additional citation provided by the Examiner under this rejection is to FIG 5, which is reproduced below with the cited material highlighted:

	Cyberbills and Cyberbills	Standard Call or Put Option
Volatility loss of premium	If the underlying equity or index price at purchase has not changed at maturity, the investor is required to forfeit full initial investment.	The investor's equity or index price at maturity should move a distance above the strike price in order to be the investor to be a profit.
Portfolio Hedging Strategy	Full hedge ratio that is based on the price of portfolio and no impact to the risk of the portfolio.	Hedging ratio of strike price and the volatility of the underlying equity or index price. Hedging ratio of the portfolio and the volatility of the underlying equity or index price.
Volatility	Volatility of the underlying equity or index price is based on the volatility of the underlying equity or index price.	Volatility of the underlying equity or index price is based on the volatility of the underlying equity or index price.
Volatility to select leverage	Volatility of the underlying equity or index price is based on the volatility of the underlying equity or index price.	Volatility of the underlying equity or index price is based on the volatility of the underlying equity or index price.
Conclusions	From the above, it is concluded that the volatility of the underlying equity or index price is based on the volatility of the underlying equity or index price. The volatility of the underlying equity or index price is based on the volatility of the underlying equity or index price.	From the above, it is concluded that the volatility of the underlying equity or index price is based on the volatility of the underlying equity or index price. The volatility of the underlying equity or index price is based on the volatility of the underlying equity or index price.
Strike Price	Strike price of the underlying equity or index price is based on the volatility of the underlying equity or index price.	Strike price of the underlying equity or index price is based on the volatility of the underlying equity or index price.
Price Quotes	Quote is based on the volatility of the underlying equity or index price.	Quote is based on the volatility of the underlying equity or index price.

FIG. 5

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The citation above does not disclose determining an amount of a portfolio that must be purchased on margin to match a user specified riskiness characteristic. No reference to a margin purchase and its relationship to the riskiness characteristic can be found in this citation or anywhere else in Sanders.

Moreover, Horner et al. also fails to teach or suggest this teaching missing from Sanders. The Examiner cites FIGs 4-7 of Horner et al., for disclosing interacting with a GUI. However, none of these citations to Horner et al., and nowhere else in Horner et al., disclose determining an amount of a portfolio that must be purchased on margin to match a user specified riskiness characteristic. These citations are provided below for ease of the reader.

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**Performance Calculator**

**Start Calculating**

Please select legal entity status, enter total assets (in USD) and choose a view for asset allocation (i.e., by settlement or asset class). Based on the asset allocation view selected, a list of asset types will be displayed.

Legal Entity Status:

\* Total Assets (in USD):

Select a view:

\*Please enter the total assets in even dollar amounts.

Fig. 4

**SL Performance Calculator**

Asset Allocation By Summary by Asset Class

You have selected: Endowment on your legal entity clients  
Your total assets are: 32,000,000.000  
Your selected view is: Summary by Asset Class

Please enter your asset allocation in USD or by percentage\*

Asset Type	Amount (\$)	Percentage(%)
U.S. Treasuries/UST Strips	<input type="text" value="0"/>	<input type="text" value="0"/>
U.S. Agencies	<input type="text" value="0"/>	<input type="text" value="0"/>
U.S. Equities	<input type="text" value="0"/>	<input type="text" value="0"/>
U.S. Corporate Bonds	<input type="text" value="0"/>	<input type="text" value="0"/>
Non-U.S. Equities	<input type="text" value="0"/>	<input type="text" value="0"/>
Non-U.S. Bonds	<input type="text" value="0"/>	<input type="text" value="0"/>

Total:  % and Your Dollar Amount Total is:


Fig. 5

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**SL Performance Calculator**

You have selected: Endowment as your legal entity status  
Your total assets are: \$2,000,000,000  
Your selected view is: Summary By Asset Class

Please select your collateral portfolio option:

Collateral Portfolio Option:  

Estimated Portfolio Options	
Most Conservative	<ul style="list-style-type: none"> <li>One-half U.S. Treasury bills</li> <li>Halfway between one-half U.S. Treasury bills and one-half U.S. Corporate Bonds</li> <li>Halfway between one-half U.S. Treasury bills and one-half U.S. Corporate Bonds</li> </ul>
Most Conservative	<ul style="list-style-type: none"> <li>Halfway between one-half U.S. Treasury bills and one-half U.S. Corporate Bonds</li> <li>Halfway between one-half U.S. Treasury bills and one-half U.S. Corporate Bonds</li> <li>Halfway between one-half U.S. Treasury bills and one-half U.S. Corporate Bonds</li> </ul>
Most Conservative	<ul style="list-style-type: none"> <li>Halfway between one-half U.S. Treasury bills and one-half U.S. Corporate Bonds</li> <li>Halfway between one-half U.S. Treasury bills and one-half U.S. Corporate Bonds</li> <li>Halfway between one-half U.S. Treasury bills and one-half U.S. Corporate Bonds</li> </ul>
Most Conservative	<ul style="list-style-type: none"> <li>Halfway between one-half U.S. Treasury bills and one-half U.S. Corporate Bonds</li> <li>Halfway between one-half U.S. Treasury bills and one-half U.S. Corporate Bonds</li> <li>Halfway between one-half U.S. Treasury bills and one-half U.S. Corporate Bonds</li> </ul>

Fig. 6

**SL Performance Calculator**

Your legal entity status is Endowment with the following assets:

U.S. Treasury/UST 50/50	\$400,000,000
U.S. Agencies	\$400,000,000
U.S. Equities	\$300,000,000
U.S. Corporate Bonds	\$300,000,000
Non-U.S. Equities	\$400,000,000
Non-U.S. Bonds	\$300,000,000

BASED ON THE INFORMATION YOU PROVIDED, HERE ARE YOUR ESTIMATED RESULTS:

**Estimated Summary:**

Your total loan portfolio is \$2,111,111,111 and the total loan volume is \$2,111,111,111. Your demand spread is 22.54 basis points and the net interest margin spread is 22.54 basis points. Therefore, your gross spread is 22.54 basis points and your net earnings are \$2,111,111.

**Estimated Results:**

Asset Type	Lendable Assets (in USD)	On Loan %	On Loan Volume (in USD)	Demand Spread (in bps)	Net Interest Spread (in bps)	Gross Spread (in bps)	Net Earnings (in USD)
U.S. Treasury/UST 50/50	400,000,000	53.64%	213,702,000	18	20.04	25.64	\$54,951
U.S. Agencies	400,000,000	34.81%	181,840,000	8	20.04	28.84	\$42,040
U.S. Equities	300,000,000	7.00%	14,220,000	20	20.04	48.04	\$5,319
U.S. Corporate Bonds	300,000,000	4.00%	8,070,000	18	20.04	38.04	\$2,110
Non-U.S. Equities	400,000,000	16.00%	63,560,000	16	20.04	34.04	\$57,969
Non-U.S. Bonds	300,000,000	25.11%	90,227,000	18	20.04	38.04	\$34,809
<b>Total</b>	<b>2,000,000,000</b>	<b>27.50%</b>	<b>\$51,105,000</b>	<b>22.54</b>	<b>20.04</b>	<b>45.27</b>	<b>\$204,950</b>

Fig. 7



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Because the combination of Sanders and Horner et al. fails to teach or suggest all of the elements from claim 1, claim 1 is patentable over the combination of Sanders and Horner et al. As claims 3 and 6 depend from claim 1, claims 3 and 6 are also patentable over Sanders for at least the same reasons as claim 1. Therefore, the Applicant respectfully submits that the claims 3 and 6 are patentable over Sanders and Horner et al., either taken alone or in combination, and respectfully request reconsideration and withdrawal of the rejection of these claims.

**CLAIMS 28-30 AND 33-34**

**ARE PATENTABLE OVER SANDERS AND HORNER ET AL.**

The Examiner rejected claims 28-30 and 33-34 under 35 U.S.C. § 103(a) as being unpatentable over Sanders in view of Horner et al. The Examiner contends that Sanders fails to disclose a computer including a display and a user interface, but cites Horner et al. for this teaching. The Applicant agrees with the Examiner that Sanders fails to disclose this teaching, but disagrees that Sanders discloses the remaining elements of the claims at issue.

As discussed above, Sanders fails to teach "*determining an amount of a desired portfolio of assets/rights/liabilities that must be purchased on margin so that a riskiness characteristic of a resulting portfolio matches a user specified riskiness characteristic*" as recited in independent claim 28. Moreover, as shown above Horner et al. also fails to teach or suggest this teaching missing from Sanders. Therefore, the combination of Sanders and Horner et al. fails to teach or suggest all of the elements from claim 28; hence claim 28 and those that depend therefrom are patentable over the combination of Sanders and Horner et al. As such, the Applicant respectfully submits that the claims

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28-30 and 33-34 are patentable over Sanders and Horner et al., either taken alone or in combination, and respectfully request reconsideration and withdrawal of the rejection of these claims.

**CLAIMS 4 AND 31**

**ARE PATENTABLE OVER SANDERS, HORNER ET AL. AND NOLAN**

The Examiner rejected claims 4 and 31 under 35 U.S.C. § 103(a) as being unpatentable over Sanders and Horner et al. in view of U.S. Patent No. 5,754,873 to Nolan [hereinafter "Nolan"]. The Examiner contends that the combination of Sanders and Horner et al. fails to disclose a slider bar, but cites Nolan for this teaching. The Applicant agrees with the Examiner that the combination of Sanders and Horner et al. fails to disclose this teaching, but disagrees that the combination of Sanders and Horner et al. discloses the remaining elements of the claims at issue.

As discussed above, the combination of Sanders and Horner et al. fails to teach or suggest *"determining an amount of a desired portfolio of assets/rights/liabilities that must be purchased on margin so that a riskiness characteristic of a resulting portfolio matches a user specified riskiness characteristic"* as recited in independent claims 1 and 28.

Moreover, Nolan also fails to teach or suggest this teaching missing from the combination of Sanders and Horner et al. The Examiner cites column 9, lines 58-67 of Nolan to support his contention, which cite is reproduced below:

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The magnitude of the preferred size is entered as a number in entry field 40 using keyboard 34 in the example of FIG. 2. Alternatively, the user can input the number using a pointing device and menu, arrows to increment or decrement the magnitude, etc. In other embodiments, the scaling preference can be selected using a graphical control, such as a slider bar or dial, or a voice command. The inputted preferred size can be stored in RAM 16 (which can have a battery backup, for example, to provide non-volatile storage) or on a more permanent storage device, such as hard disk 28.

This citation to Nolan also fails to disclose that subject matter missing from Sanders and Horner et al. Therefore, the combination of Sanders, Horner et al. and Nolan fails to teach or suggest all of the elements from claims 1 and 28; hence claims 1 and 28 and those that depend therefrom are patentable over the Sanders, Horner et al. and Nolan. As such, the Applicant respectfully submits that the claims 4 and 31 are patentable over Sanders, Horner et al. and Nolan, either taken alone or in any combination, and respectfully request reconsideration and withdrawal of the rejection of these claims.

#### CLAIMS 5 AND 32

#### ARE PATENTABLE OVER SANDERS, HORNER ET AL. AND MARKS ET AL.

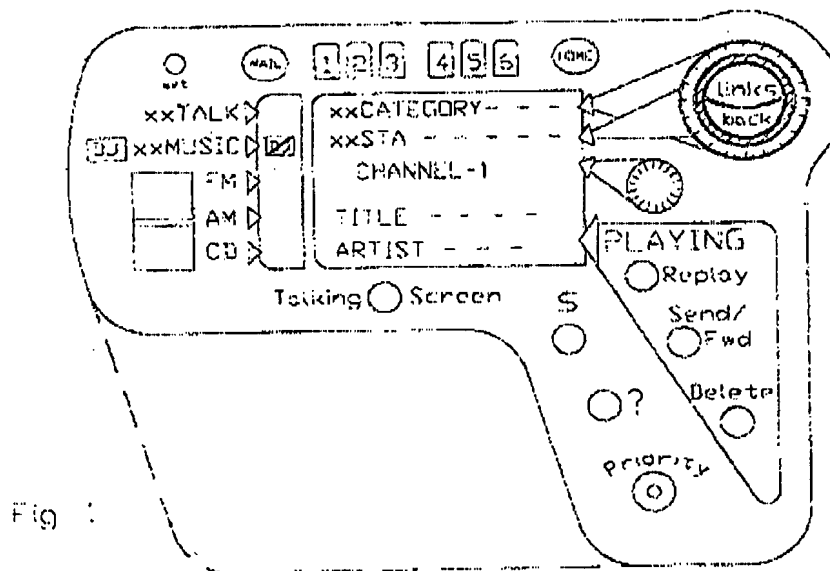
The Examiner rejected claims 5 and 32 under 35 U.S.C. § 103(a) as being unpatentable over Sanders and Horner et al. in view of U.S. Patent Application Publication No. 2001/0053944 to Marks et al. [hereinafter "Marks et al."]. The Examiner contends that the combination of Sanders and Horner et al. fails to disclose an arrow on a dial, but cites Marks et al. for this teaching. The Applicant agrees with the Examiner that the combination of Sanders and Horner et al. fails to disclose this teaching, but disagrees that the combination of Sanders and Horner et al. discloses the remaining elements of the claims at issue.

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As shown above, the combination of Sanders and Horner et al. fails to teach or suggest *"determining an amount of a desired portfolio of assets/rights/liabilities that must be purchased on margin so that a riskiness characteristic of a resulting portfolio matches a user specified riskiness characteristic"* as recited in independent claims 1 and 28.

Moreover, Marks et al. also fails to teach or suggest this teaching missing from the combination of Sanders and Horner et al. To support his contention, the Examiner cites FIG 1 of Marks et al., which is reproduced below:



Patent Application Publication Dec. 30, 2001 Sheet 1 of 12 US 2001/0051941 A1

This citation to Nolan also fails to disclose that subject matter missing from Sanders and Horner et al. Therefore, the combination of Sanders, Horner et al. and Marks et al. fails to teach or suggest all of the elements from claims 1 and 28; hence claims 1 and 28 and those that depend therefrom are patentable over Sanders, Horner et al. and Marks et al. As such, the Applicant respectfully submits that the claims 5 and 32 are patentable over Sanders, Horner et al. and Marks et al., either taken

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alone or in any combination, and respectfully request reconsideration and withdrawal of the rejection of these claims.

### CONCLUSION

Reconsideration and withdrawal of all of the rejections are requested in view of the previous remarks. The Applicants respectfully submit this Application is in condition for allowance and request issuance of a Notice of Allowance.

If additional amounts are due for any reason it is respectfully requested that the PTO charge any deficiency or credit any overpayment to the deposit account of MICHAEL P FORTKORT PC, Deposit Account No. 50-3776.

In the event the prosecution of this application can be efficiently advanced by a phone discussion, it is requested that the undersigned attorney be called at (703) 435-9390.

Respectfully submitted,

By   
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Date: October 25, 2007

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